

Commissioners. The original set of Rules and Regulations was adopted in 1956 and first codified in 1959. The Rules and Regulations were substantially revised and re-codified in 1973, and have been modified and amended several times since then.

THE SEWER SYSTEM

Operations

The Sewer System consists of ten wastewater treatment plants and 98 liftstations as of December 31, 2003.

Lower East Fork. The Lower East Fork Wastewater Treatment Plant went on line in December 1979 and was designed to provide advanced treatment. It is presently the largest plant in the System with a design flow of 9.0 MGD, treating approximately 46% of the total wastewater treated by the System. In constructing this plant, Ohio EPA encouraged and the County agreed to use certain innovative treatment technology. This technology did not perform as expected. After determining that the equipment was not achieving the desired results, the County hired an independent consultant to evaluate the plant. The County began to implement certain of the recommendations in the consultant's report, but the plant was not consistently in compliance. The County designed a substantial plan of improvements to the wastewater treatment plant and submitted them to the Ohio EPA on June 22, 1988. As required by the Consent Decree, the County began construction of the wastewater treatment plant improvements on June 1, 1990 and completed construction by March 1, 1992. In 2002, a \$4,500,000 expansion added a new final clarifier, additional tertiary filters and Ultraviolet disinfection to the processing, increasing the capacity to the current 9.0 MGD.

Middle East Fork. The County put a 1.2 MGD facility in place on this site in 1972 originally called the Amelia/Batavia plant. The plant was expanded in 1981 to 2.4 MGD. During the 1970's, the County had taken over the Village of Bethel's sewer system. The Bethel treatment plant was inadequate and so the County decided to close it and expand the Amelia/Batavia plant into the Middle East Fork Regional Wastewater Treatment Plant with a 3.6 MGD capacity. Construction of Phase I began in 1985. Phase I was designed to achieve secondary treatment. This plant went on line in December 1987 and is currently providing secondary treatment. Phase II will achieve advanced secondary treatment. The County designed a substantial plan of improvements to the wastewater treatment plant and submitted them to Ohio EPA on August 24, 1990 and received permit to install No. 90-213 for the improvements from Ohio EPA on September 30, 1990. Phase II improvements were completed in 1994. The plant is currently rated for 7.2 MGD capacity and handled 25% of the systems flow in 2003.

Nine Mile. The Nine Mile Wastewater Treatment plant has been expanded recently to a 3.0 MGD oxidation ditch processing plant. It is currently averaging a 98% pollutant removal rate.

O'Bannon. The O'Bannon oxidation ditch processing plant was expanded in 2001 to handle 4.4MGD capacity. It is currently averaging a 98% pollutant removal rate. In 2003, the O'Bannon plant handled 12% of the system flow.

Felicity. The Felicity Wastewater Treatment Plant, a 0.2 MGD capacity plant, went on line in the early 1970's and was designed to achieve secondary treatment, pursuant to the original Ohio EPA requirements. As the water quality standards were raised and the NPDES permit became more stringent, a need for advanced treatment arose. The County designed a substantial plan of improvements to the wastewater treatment plant and submitted them to Ohio EPA on November 30, 1990. Construction was completed on June 28, 1992. The plant is currently rated for 0.25 MGD capacity.

Arrowhead. The Arrowhead package plant serves only 25 accounts, one of those being a 360 unit multi-family account. It is a 0.14 MGD extended air-processing plant.

Bramblewood. The Bramblewood treatment plant is a 0.042 MGD extended air plant serving 133 residential customers.

Indian Lookout. The Indian Lookout treatment plant is a 0.046 MGD extended air plant serving 161 residential customers.

Miami Trails. The Miami Trails treatment plant is a 0.4 MGD extended aeration process serving 881 residential customers.

Wards Corner. The acquisition of a private treatment plant and an expansion in 1996 provided the county with a 135,000 GPD extended air package plant.

The Sewer System treated an average of approximately 12,767,000 gallons of sewer per day in 2003, with a maximum peak day of approximately 37,744,000 gallons. The average customer unit requires 224 gallons of water per day, which translates into an average monthly sewer bill of approximately \$27.71. The average residential customer unit requires 175 gallons per day. The 10 largest sewer users for the year 2003 were:

	Consumption/ Gallons	% of System Usage	Sewer Revenue	% of System Revenues*
1) Batavia Transmissions	48,759,172	1.6%	\$359,949	2.7%
2) 3M Precision Optics	24,529,600	0.8	99,835	0.8
3) Cintas	23,811,400	0.8	130,650	0.9
4) Greenbriar Mobile Home Park	21,241,000	0.7	86,451	0.7
5) 3M Precision Optics	19,283,000	0.6	78,482	0.6
6) Lakeshore Mobile Home Park	17,320,900	0.6	70,496	0.5
7) Holiday Parks	16,168,200	0.5	65,805	0.5
8) Greenacres Mobile Home Park	14,405,500	0.5	58,630	0.4
9) Milford Commons Apartments	13,572,600	0.4	55,240	0.4
10) Sun Chemical	12,879,800	0.4	56,196	0.4
TOTAL	211,971,172	6.9%	\$1,061,734	7.9%

*Represents percent of service charge revenues

Environmental Compliance

Under the Clean Water Act, publicly owned wastewater treatment facilities are required to limit the pollutants in their discharges ("effluent limitations"). Effluent limitations are designed to meet certain nationwide technology-based requirements as well as to maintain the water quality of streams into which treated sewage is discharged. The effluent limitations are implemented under a system requiring a permit for each plant to discharge effluents known as the National Pollutant Discharge Elimination System ("NPDES"). The United States Environmental Protection Agency ("US EPA") manages this permitting system except where individual states have received approval for state implemented plans.

Periodically, over a several year period, the Ohio EPA, having been authorized to manage the NPDES Program in the State of Ohio, made Findings and Orders that certain of the County Sewer System's 10 treatment plants were not in continuing compliance with their NPDES permits. In May 1988, Ohio EPA filed a complaint against the Board of County Commissioners in the Clermont County Common Pleas Court regarding 6 of the sewer system's wastewater treatment plants. The remaining 4 plants were not the subject of the litigation. Negotiations ensued and a Consent Order (the "Consent Decree") was entered into on November 7, 1989. Under the Consent Decree, the County agreed to pay and paid a civil penalty of \$100,000 on December 11, 1989. The Consent Decree addresses construction and/or operational enhancement for six of the 10 sewer system wastewater treatment plants and their accompanying collection facilities. Two of these, the Nine Mile and the O'Bannon Creek Wastewater Treatment Plants require no new construction to meet their NPDES permit requirements. The County was required to and did revise operational procedures, primarily regarding training procedures at those 2 plants.

There are interim effluent limitation standards and interim construction milestones that must be met under the Consent Decree. Failure to meet those interim standards and milestones would result in fines from \$200 to \$2,500 per violation. The County anticipated that fines would be levied for violations of effluent limitation standards during implementation of Consent Decree related improvements and that occasional fines may be levied for violations of construction milestone standards as a result of the level of construction anticipated since 1989 and continuing over the next several years. The County will utilize its best efforts to continue to meet these effluent limitation and construction milestone standards and does not anticipate that the fines for violating such standards will be extensive. However, because the Consent Decree does not contain a limit on the total amount of fines that can be levied and, as with any construction project, unforeseen contingencies could arise, the possibility exists that such fines could have a material adverse economic impact upon the sewer system. The District paid \$28,050 in fines for effluent limitation violations from December 1989 through December 31, 1992. The District did not have any fines for the period of January 1, 1993 through December 31, 2003. As of this date, all construction milestones have been accomplished, except for construction within lower East Fork collection system, which was delayed due to design concerns by EPA. No stipulated construction milestone penalties have been assessed.

Actual and to date estimates of construction costs for the remaining Consent Decree related projects, before any loans or other grants total approximately \$1,644,000. Approximately

\$37,820,000 of the Consent Decree related projects have been completed. The County has and expects to continue to finance a major portion of the cost of these Consent Decree related improvements not funded by grants, if any, through the issuance of sewer revenue bonds to be issued during the time frame established by the Consent Decree and from certain sewer system funds on hand. The County also has or expects to receive Federal or State grants and other loans for certain consent degree related improvements in the amount of approximately \$16,300,000. The County also is engaged in a 5- year capital improvement plan for the sewer system that will construct improvements not related to the Consent Decree. The County currently estimates the construction cost of such non-Consent Decree related improvements, before any EPA or other grants is approximately \$83,024,000. The County also currently expects to finance the majority of these non-Consent Decree related capital improvements with certain sewer system funds on hand.

In connection with the Consent Decree requirements, the County has continued the Inflow and Infiltration Program, which will identify unwanted water, such as ground water and storm water, entering the System and designing rehabilitation measures to resolve the resulting overflow and bypass problems.

Financial

The following summary of operations of the Clermont County Sewer System Revenue Fund has been derived from financial statements prepared by Clermont County Sewer District, and examined by independent certified public accountants; however, this summary was not prepared by, nor can it be attributed to those certified public accountants. The opinion of Bastin & Company, LLC, on examination of financial statements for the years 2002 and 2003 appear in Appendix H of this Annual Information Statement.

This summary should be read in conjunction with the financial statements and related notes that appear in Appendix H of this Annual Information Statement.

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Sewer System - Year Ended December 31,

	1999	2000	2001	2002	2003
REVENUES:					
Sewer Service Charges	\$13,907,429	\$13,749,064	\$12,859,750	\$13,450,099	\$13,280,299
System Capacity Charges	3,225,579	3,002,297	2,966,092	2,592,245	2,609,961
Plan Review/Inspection	112,085	0	78,294	66,881	98,778
Other	2,259	785,288	256,164	94,305	49,872
Interest Income	<u>1,920,525</u>	<u>2,831,247</u>	<u>2,752,623</u>	<u>1,729,567</u>	<u>1,250,834</u>
TOTAL REVENUE	<u>\$19,167,877</u>	<u>\$20,367,896</u>	<u>\$18,912,923</u>	<u>\$17,933,097</u>	<u>\$17,289,744</u>
EXPENDITURES:					
Salaries, wages, benefits	\$2,891,914	\$929,021	\$761,362	\$723,044	\$1,198,510
Professional Services	1,084,463	4,596,713	4,968,123	5,338,734	3,401,382
Utilities	1,156,779	287,819	6,442	7,102	370,003
Repairs & Maintenance	370,364	165,036	29,629	105,488	188,282
Materials & Supplies	639,119	38,308	20,772	16,986	326,813
Interest on Bonds/Loans	2,588,170	2,539,107	2,473,009	2,410,197	2,225,965
Other Expenses	<u>820,182</u>	<u>17,908</u>	<u>52,008</u>	<u>63,682</u>	<u>541,410</u>
TOTAL BEFORE DEPRECIATION	<u>\$9,550,991</u>	<u>\$8,573,912</u>	<u>\$8,311,345</u>	<u>\$8,665,233</u>	<u>\$8,252,365</u>
Depreciation	6,146,990	5,940,732	7,013,242	6,591,225	6,655,893
TOTAL EXPENSES	<u>\$15,697,981</u>	<u>\$14,514,644</u>	<u>\$15,324,587</u>	<u>\$15,256,458</u>	<u>\$14,908,258</u>
EXCESS REVENUES OVER EXPENSES	\$3,469,896	\$5,853,252	\$3,588,336	\$2,676,639	\$2,381,486

Under the 2003 Trust Agreement, the County covenanted to charge such rates and charges for the services and facilities of the Sewer System as shall at all times produce revenues in excess of the expenses of operating and maintaining the Sewer System of not less than 110% of the maximum annual debt service on all bonds. The computation of the coverage ratio under the 2003 Trust Agreement for all Prior Bonds and Nonrefunded Bonds outstanding as of December 31, 2003 for the year ended December 31, 2003, based on the audited 2003 figures, is as follows:

	<u>December 31, 2003</u>
Excess of revenue over expenditures	\$2,381,486
Add:	
Interest paid on bonds	2,193,980
Deferred debt amortization	48,796
Depreciation expense	6,655,893
Total Pledged Revenues	<u>\$11,280,155</u>
Debt Service requirement on bonds during 2003	<u>\$3,563,980</u>
Coverage ratio	<u>316%</u>
Required coverage ratio	<u>110%</u>

Under the Indenture the Sewer System rates and charges must be sufficient to produce Net Revenues at least adequate to provide for (i) the payments required by the Bond Legislation to be made into the Revenue Fund, (ii) sufficient funds to pay the Principal and Interest Requirements on any General Obligation Bonds, General Obligation Notes and all other Obligations of the County incurred for Sewer System purposes, (iii) sufficient earnings coverage to permit the issuance of the Additional Bonds required for the construction of necessary or advisable extensions or improvements of the Sewer System and (iv) to provide for the normal growth and sound operation of the Sewer System. Failure to maintain the required coverage ratio can be an event of default if remedial action is not taken.

THE WATERWORKS SYSTEM

Operations

The County currently operates three water treatment plants, Bob McEwen, P.U.B. and M.G.S. Storage in the system is through 6 surface storage tanks (7.4 MG capacity) and 17 elevated storage tanks (8.0 MG capacity). Five booster stations aid in the distribution of the water throughout the system.

Bob McEwen. Complete in 1995, the Bob McEwen Water treatment plant and Intake facility is currently a 10 MGD surface water treatment plant. The major units of the plant processes include rapid mix, flocculation and sedimentation basin for chemical treatment and clarification, rapid sand filtration, and finished water storage and pumping facilities. In 1999, the County added a granular activated carbon filtration system at the plant. A water supply contract allows the County to withdraw up to 20 MGD from the East Fork Reservoir, the plant and intake have been designed to allow for future expansion to treat that volume.

The Water Supply Contract

The County has obtained this 20 mgd supply of surface water by contract with ODNR executed on September 30, 1992. ODNR, in turn, has a contract (Contract No. DACW 27-69-C-0088, dated January 15, 1970) with the Army Corps of Engineers (the "Corps Contract") whereby ODNR obtained the right to use a portion of the East Fork Reservoir storage capacity constituting 37 mgd. The Water Supply Contract is subject to all the provisions of the Corps Contract.

The East Fork Reservoir was created when the Army Corps of Engineers (the "Corps") constructed a dam, completed in 1978, on the East Fork of the Little Miami River pursuant to the Flood Control Act of 1938. Its intended uses included flood control, recreation and water supply. The real estate is owned by the United States of America and is leased to the State. The Corps operates and maintains the dam and controls the water level in the East Fork Reservoir. ODNR operates the recreational activities at Lake Harsha that are within a State Park.

The Water Supply Contract grants the County two vital elements: (1) the right to withdraw up to 20 MGD of raw water within certain specified levels in the Reservoir, and (2) the right to construct and operate the Intake Facility, subject to the approval of OEPA. ODNR does not warrant the fitness or quality of the water supply and is not liable for a failure to supply water